House of Representatives

General Assembly

File No. 335

January Session, 2009

House Bill No. 6468

House of Representatives, March 30, 2009

The Committee on Planning and Development reported through REP. SHARKEY of the 88th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT EXEMPTING MUNICIPALITIES FROM THE INSURANCE PREMIUM TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-202 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2009, and applicable to income years commencing on or after January 1, 2009*):

(a) Each domestic insurance company shall, annually, pay a tax on the total net direct premiums received by such company during the calendar year next preceding from policies written on property or risks located or resident in this state. The rate of tax on all net direct insurance premiums received on and after January 1, 1995, shall be one and three-quarters per cent. The franchise tax imposed under this section on premium income for the privilege of doing business in the state is in addition to the tax imposed under chapter 208. In the case of any local domestic insurance company the admitted assets of which as of the end of an income year do not exceed ninety-five million dollars, eighty per cent of the tax paid by such company under chapter 208 during such income year reduced by any refunds of taxes paid by such company and granted under said chapter within such income year and eighty per cent of the assessment paid by such company under section 38a-48 during such income year shall be allowed as a credit in the determination of the tax under this chapter payable with respect to total net direct premiums received during such income year, provided that these two credits shall not reduce the tax under this chapter to less than zero, and provided further in the case of a local domestic insurance company which is a member of an insurance holding company system, as defined in section 38a-129, these credits shall apply if the total admitted assets of the local domestic insurance company and its affiliates, as defined in said section, do not exceed two hundred fifty million dollars or, in the alternative, in the case of a local domestic insurance company which is a member of an insurance holding company system, as defined in section 38a-129, these credits shall apply only if total direct written premiums are derived from policies issued or delivered in Connecticut, on risk located in Connecticut and, as of the end of the income year the company and its affiliates have admitted assets minus unpaid losses and loss adjustment expenses that are also discounted for federal and state tax purposes and which for said local domestic insurance company and its affiliates, as defined in said section do not exceed two hundred fifty million dollars.

(b) Notwithstanding the provisions of subsection (a) of this section, the tax shall not apply to any new or renewal contract or policy entered into with a municipality on or after July 1, 2009, to provide health care coverage to municipal employees, municipal retirees and dependents of such employees or retirees.

Sec. 2. Section 12-202a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2009, and applicable to income years commencing on or after January 1, 2009*):

(a) Each health care center, as defined in section 38a-175, that is governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to the Commissioner of Revenue Services for the calendar year commencing on January 1, 1995, and annually thereafter, at the rate of one and three-quarters per cent of the total net direct subscriber charges received by such health care center during each such calendar year on any new or renewal contract or policy approved by the Insurance Commissioner under section 38a-183. Such payment shall be in addition to any other payment required under section 38a-48.

(b) Notwithstanding the provisions of subsection (a) of this section, the tax shall not apply to:

(1) Any new or renewal contract or policy entered into with the state on or after July 1, 1997, to provide health care coverage to state employees, retirees and their dependents;

(2) Any subscriber charges received from the federal government to provide coverage for Medicare patients;

(3) Any subscriber charges received under a contract or policy entered into with the state to provide health care coverage to Medicaid recipients under the Medicaid managed care program established pursuant to section 17b-28, which charges are attributable to a period on or after January 1, 1998;

(4) Any new or renewal contract or policy entered into with the state on or after April 1, 1998, to provide health care coverage to eligible beneficiaries under the HUSKY Medicaid Plan Part A, HUSKY Part B, or the HUSKY Plus programs, each as defined in section 17b-290;

(5) Any new or renewal contract or policy entered into with the state on or after April 1, 1998, to provide health care coverage to recipients of state-administered general assistance pursuant to section 17b-192;

(6) Any new or renewal contract or policy entered into with the state on or after February 1, 2000, to provide health care coverage to retired teachers, spouses or surviving spouses covered by plans offered by the state teachers' retirement system;

(7) Any new or renewal contract or policy entered into with a municipality on or after [July 1, 2001, to provide health care coverage to employees of a municipality and their dependents under a plan procured pursuant to section 5-259] July 1, 2009, to provide health care coverage to municipal employees, municipal retirees and dependents of such employees or retirees;

(8) Any new or renewal contract or policy entered into on or after July 1, 2001, to provide health care coverage to employees of nonprofit organizations and their dependents under a plan procured pursuant to section 5-259;

(9) Any new or renewal contract or policy entered into on or after July 1, 2003, to provide health care coverage to individuals eligible for a health coverage tax credit and their dependents under a plan procured pursuant to section 5-259;

(10) Any new or renewal contract or policy entered into on or after July 1, 2005, to provide health care coverage to employees of community action agencies and their dependents under a plan procured pursuant to section 5-259; or

(11) Any new or renewal contract or policy entered into on or after July 1, 2005, to provide health care coverage to retired members and their dependents under a plan procured pursuant to section 5-259.

(c) The provisions of this chapter pertaining to the filing of returns, declarations, installment payments, assessments and collection of taxes, penalties, administrative hearings and appeals imposed on domestic insurance companies shall apply with respect to the charge imposed under this section.

This act shall take effect as follows and shall amend the following sections:

Section 1	*July 1, 2009, and applicable to income years commencing on or after January 1, 2009*	12-202
Sec. 2	*July 1, 2009, and applicable to income years commencing on or after January 1, 2009*	12-202a

PD *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 $	FY 11 $
Department of Revenue Services	GF - Revenue Loss	7.0 million	7.3 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 10 $	FY 11 $
Various Municipalities	Savings	7.0 million	7.3 million

Explanation

The bill is estimated to result in a General Fund revenue loss of $7.0 million in FY 10 and $7.3 million in FY 11 from exempting health insurance contracts and policies sold to municipalities from the Insurance Premiums Tax.

Municipalities are anticipated to realize savings of $7.0 million in FY 10 and $7.3 million in FY 11 as a result of repealing the Insurance Premiums Tax.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Source: Department of Revenue Services

OLR Bill Analysis

HB 6468

AN ACT EXEMPTING MUNICIPALITIES FROM THE INSURANCE PREMIUM TAX.

SUMMARY:

This bill exempts all new and renewed health insurance plans sold to municipalities on or after July 1, 2009 from the 1.75% premium tax paid by domestic insurance companies and HMOs. Current law exempts such plans covering municipal employees and their dependents from the tax only if sold by an HMO and through the Municipal Employee Health Insurance Plan (MEHIP).

EFFECTIVE DATE: July 1, 2009, and applicable to income years beginning on or after January 1, 2009

BACKGROUND

Premium Tax

By law, HMOs and domestic (Connecticut) and foreign insurers (those organized in another state) must pay an annual premium tax of 1.75% per contract or policy sold in the state. There are numerous exemptions from the HMO premium tax, including contracts covering state employees; Medicare and Medicaid recipients; retired teachers; individuals eligible for a health coverage tax credit; and municipal employees and retirees, nonprofit employees, and community action agency employees covered through MEHIP.

Related Bill

HB 5670, reported favorably by the Insurance and Real Committee to the Finance, Revenue and Bonding Committee, has the same provisions as this bill.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable
Yea 19 Nay 0 (03/11/2009)